

Milk Pricing

NEWSLETTER



Dairy Marketing Branch, CDFA

May 2004

National Cheddar Cheese and Butter Commodity Prices Remain High

The minimum price of milk, established by the Department each month, is the price that dairy processors must pay for milk used to produce dairy products. National commodity prices, primarily butter, Cheddar cheese, and nonfat dry milk, are significant factors in determining the minimum milk price (See *national commodities prices chart on page 2*).

The national commodity price for nonfat dry milk rose slightly, however the butter and Cheddar cheese prices continued their steady increase to record high levels. Consequently, all types of milk increased in price: whole milk increased six and seven tenths cents per gallon; reduced fat milk increased six and three tenths cents per gallon; lowfat milk increased six and one tenth cents per gallon; and skim milk increased four and eight tenths cents per gallon.

*See lowest reported lawful retail milk prices on page 2.

California milk production and milk production across the U.S. continues to remain slightly less than last year levels. Nationally, milk cow numbers and milk production per cow continues to hover near last year levels or slightly lower. Currently, the demand for dairy products is exceeding the availability, thus causing the commodity market prices to increase. Higher feed costs and reduced milk production per cow continue to contribute to a decrease in the total milk supply, further fueling the current supply vs. demand imbalance.

The table below shows individual prices for the four types of fluid milk by container size and the price changes from the previous month. The prices listed represent the minimum price paid by processors for the milk only - no other processing costs are included.

Minimum Prices for the Four Types of Fluid Milk by Container Size for June 2004

Northern California	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Whole Milk	\$1.895	\$0.948	\$0.474	\$0.237	\$0.158	\$0.118
Reduced Fat (2%)	\$1.722	\$0.861	\$0.431	\$0.215	\$0.144	\$0.108
Lowfat (1%)	\$1.620	\$0.810	\$0.405	\$0.203	\$0.135	\$0.101
Nonfat (Skim)	\$1.220	\$0.610	\$0.305	\$0.153	\$0.102	\$0.076

Southern California	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Whole Milk	\$1.919	\$0.959	\$0.480	\$0.240	\$0.160	\$0.120
Reduced Fat (2%)	\$1.746	\$0.873	\$0.436	\$0.218	\$0.145	\$0.109
Lowfat (1%)	\$1.644	\$0.822	\$0.411	\$0.206	\$0.137	\$0.103
Nonfat (Skim)	\$1.245	\$0.622	\$0.311	\$0.156	\$0.104	\$0.078

Price Changes from the Previous Pricing Period

	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Whole Milk	\$0.067	\$0.033	\$0.017	\$0.008	\$0.006	\$0.004
Reduced Fat (2%)	\$0.063	\$0.032	\$0.016	\$0.008	\$0.005	\$0.004
Lowfat (1%)	\$0.061	\$0.031	\$0.015	\$0.008	\$0.005	\$0.004
Nonfat (Skim)	\$0.048	\$0.024	\$0.012	\$0.006	\$0.004	\$0.003

California Department of Food and Agriculture (CDFA)

A.G. Kawamura, Secretary

Price Information Lines: (800) 503-3490 within California; (916) 442-MILK outside California
 Phone (916) 341-5988; Website: www.cdfa.ca.gov/dairy; email address: dairy@cdfa.ca.gov

Minimum Prices for the Milk Component of Various Manufactured Dairy Products

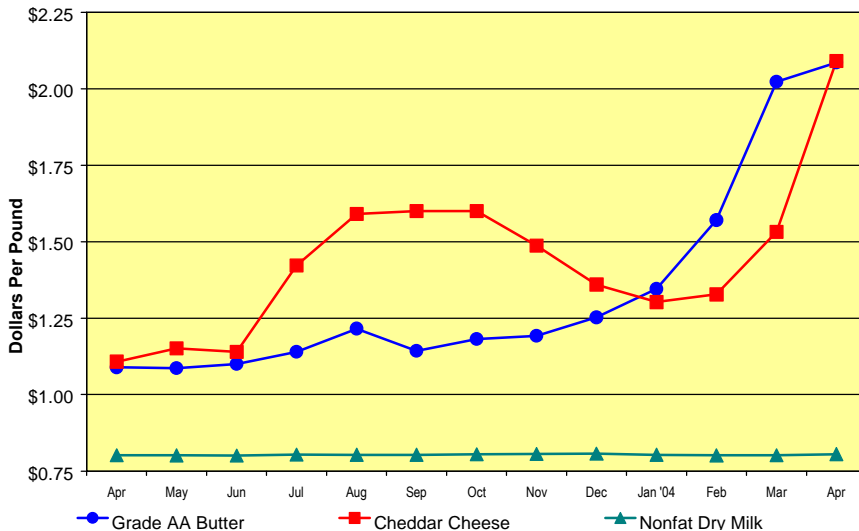
The minimum prices for the raw milk component used by processors in manufacturing dairy products are listed in the table to the right. No other costs incurred by the processor are included, such as:

- milk quality premiums,
- milk composition premiums,
- competitiveness for availability of milk premiums,
- transportation costs,
- plant processing costs,
- service charges
- marketing costs

	Lowfat Yogurt (\$/quart)	Super- Premium Ice Cream (\$/ 1/2 gal)	Generic Ice Cream (\$/ 1/2 gal)
July '03	\$0.18	\$1.08	\$0.42
Aug	\$0.18	\$1.13	\$0.44
Sept	\$0.18	\$1.13	\$0.44
Oct	\$0.18	\$1.15	\$0.44
Nov	\$0.18	\$1.15	\$0.44
Dec	\$0.18	\$1.16	\$0.45
Jan '04	\$0.18	\$1.16	\$0.45
Feb	\$0.19	\$1.27	\$0.49
Mar	\$0.19	\$1.27	\$0.49
Apr	\$0.20	\$1.70	\$0.64
May	\$0.20	\$1.70	\$0.64

National Commodity Prices April 2003 - April 2004

Grade AA Butter, Block Cheddar Cheese, Nonfat Dry Milk



Lowest Reported Lawful Retail Prices for Milk May 2004

	Two-Pack	Single Gallon
<u>Northern California</u>		
Whole Milk	\$5.85	\$2.93
2% Reduced Fat	\$5.39	\$2.70
1% Lowfat	\$5.39	\$2.70
Nonfat/Skim	\$4.29	\$2.15
<u>Southern California</u>		
Whole Milk	\$5.79	\$2.90
2% Reduced Fat	\$5.39	\$2.70
1% Lowfat	\$5.39	\$2.70
Nonfat/Skim	\$4.27	\$2.14

This newsletter can also be found on our website at:
www.cdfta.ca.gov/dairy/milkpricing_nl.html

In accordance with the California Government Code and ADA requirements, this publication can be made available in an alternative format by contacting Karen Dapper at (916) 341-5988, by email at dairy@cdfta.ca.gov, or by contacting TDD 1-800-735-0193.

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